

LIST OF AFFILIATES

SBC Global Services, Inc.	Furnishes telecommunications and systems integration products to customers and operates divisions which sell and service voice systems for business use.
SBC International, Inc.	Holding company for SBC subsidiaries and affiliates operating internationally whose interests are in foreign telecommunications and other related businesses.
SBC Internet Services, Inc.	Internet service provider.
SBC Laboratories, Inc.	(FDC exception applies) Involved in applications research; the preparation of general generic specifications for products; the testing and evaluation of manufacturers' designs and products to determine if the general specifications set by the various SBC subsidiaries are being met; and writing applications software for computers with processing systems that have been designed to be user-programmed.
SBC Long Distance, LLC	(Section 272 Affiliate) Provides interexchange services.
SBC Management Services, L.P.	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
SBC Management Services, USA, Inc.	(FDC exception applies) Provides various administrative and support services for the parent holding company and other subsidiaries.
SBC Operations, Inc.	(FDC exception applies) Includes the development and design of business processes to provide for the planning, development and other support for the sale and merchandising of telecommunications services and products as well as a single point of contact for customers.
SBC Services, Inc.	(FDC exception applies) Performs centralized administrative support services including Information Technology and Billing Support Services, Real Estate Support Services, Procurement Support Services, Human Resources Support Services, Training Services and Finance Support Services.
SBC Telecom, Inc.	Competitive local exchange carrier.
SNET America, Inc.	Interexchange service provider through carrier alliances.
SNET Diversified Group, Inc.	Engages in a variety of business activities including tandem switching services, customer call center operations, operator services and consulting services.
SNET Information Services, Inc.	Provides yellow pages directory advertising and publishing, and engages in electronic publishing and internet services.
Southern New England Telecommunications Corporation	(FDC exception applies) Provides various administrative and support services for the holding company and other subsidiaries.
Southwestern Bell Messaging Services, Inc.	Voice messaging services provider.
Southwestern Bell Video Services, Inc.	Video Programming services provider.
Southwestern Bell Yellow Pages, Inc.	Directory publishing and advertising provider.
Sterling Commerce, Inc.	Provider of e-business integration solutions.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Administrative Services	Services include various combinations of general administrative activities, fraud management, preparation and maintenance of technical and other documents, ID and access cards, facsimile provisioning, conference rooms, E-Rate calculations, etc. FDC or FMV depending on the specific service provided from this service grouping. CLEC website support.
Official Communications	Services include the installation, maintenance, and administration of local, intraLATA and interLATA corporate communications services. (In Ameritech, only interLATA corporate communication at the higher of FDC/FMV.) Also includes related consulting and engineering, official directory, conference calls and terminal equipment. FDC or FMV depending on the specific service provided from this service grouping. FDC at PB and NB.
Real Estate Services	Services include asset use, property management, lease administration, architectural planning, design and construction, floor space planning, furniture inventory, floor space, furniture and equipment leasing, parking facilities, and antenna site licenses. SWBT, PB, and five AOCs provide at either FDC, FMV, or Tariff rates for central office space and equipment and power space in administrative buildings ; hourly services are provided at FDC, furniture leasing depends on item leased and floor space leasing depends on local market conditions. At PB and NB, provided at FDC, except for PB property management services provided at FMV.
Temporary Projects	Services include temporary support, one-time transactions including licensing of intellectual property, and consultation for general administrative activities.
Human Resources Support	Includes support activities related to staffing, work force development, benefit administration, absence management and labor relations.
Public Relations Services	May include handling of customer inquiries, complaints, appeals, and customer service measurement. May also include general public relations services such as layout, video, news clippings, employee information publications, graphics, and audio tape production. FDC or FMV depending on the specific employee level providing support.
Customer Care	Includes post-sale customer care for 272 and 272-like affiliates; encompasses services provided during the period from initial point of sale until first bill is rendered. Includes Customer Account Record Exchange (CARE) testing and high volume business record indicator services. Does not include marketing efforts that precede customer care, and Billing and Collection inquiry service following customer care. Also includes Single Point of Contact (SPOC) support for all affiliates including service and project management functions as well as transfers of misdirected, non-marketing/non-billing/collection calls to affiliate.
Marketing Services	Includes marketing, retail sales of products and the administrative support of sales operations up to and including issuing orders for outside third parties and affiliates, including sales support by our Global and Major Accounts units. Use of Telco assets for advertising (e.g. van wrapping, banner advertising on telco buildings). PB provides at FDC except for certain analyst services provided at FMV. SWBT and NB provide at FDC or FMV depending on the specific service provided from this service grouping. Customer care is not included in marketing services provided to 272 and 272-like affiliates.
Business Process Development & Design	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Customer Premises Equipment (CPE) and Wire Services	Includes the sale or lease, installation, maintenance and repair of CPE, simple and complex wire, intra- and inter-building cables and voice, data and/or video equipment as well as other related telecommunications equipment on the customer's side of the network interface. Also included are installation, maintenance, operations support and/or management services (e.g., consulting, design, engineering and administration activities). These network plans can consist of customized wiring (copper, coaxial or fiber) and/or equipment that provides voice, data and/or video services. Inside wire maintenance plans are also offered as a part of this service. Provided at tariff, prevailing price, FDC or FMV depending on the specific service provided from this service grouping. Training of Telco employees to provide CPE Splitter/Filter Support at FDC.
Billing and Collections	Services include billing on Telco bill and associated collection for services provided by the affiliate to its customers. Provided based upon tariff or prevailing price depending on state commission requirements.
Telephone Directory Services	Includes provision of White Pages listings to telephone directory publishers as well as other listing services, both at prevailing price and other miscellaneous directory support at FDC.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff.
Primary Interexchange Carrier Services (PIC)	May include account maintenance, provision of customer information, verification of customer record and switch data, and service order issuance, which are provided at prevailing price, FDC or FMV. May also include PIC change service at tariff.
Wholesale Telecommunications Services	Provision of services (e.g. broadband or other non-tariff wholesale services) on a wholesale basis at Prevailing Price.
Collection Services	Provision of collection services which are not included in a separate billing and collection agreement.
Finance & Treasury Services	Includes budget analysis support, accounting standards, safety services, risk management, and finance corporate fraud management.
Regulatory	Services include regulatory support, audit oversight, consulting services and public affairs support. FDC or FMV depending on the specific service provided from the service grouping
Other Directory Services	Oversight of billing and collection of Yellow Pages sales and advertising, and related project management.
Training Provided to Others	Training classes, curriculums and materials developed or acquired for Telco use are provided to others, and can include custom training development. FDC or FMV depending on specific training provided.
Interconnection	Establishment of interconnection arrangements with other telecommunications providers.
Telecommunications Services	Includes telecommunications support activities such as access to test systems for purpose of performing tests on telco owned facilities used by affiliates and special construction activities. FDC May also include employee concession in the Midwest and providing central office space and power at prevailing price.
Asset Transfers	Occasional transfers of assets to affiliates, listed in the associated matrix by asset type.

LIST OF ASSETS AND SERVICES PROVIDED
FROM TELCOS TO AFFILIATES

Service Provided	Service Description
Fiber Broadband Service	Service is a high speed network access service that provides connectivity to SBC's IP-enabled network that is capable of delivering a suite of services including internet access, voice, data, and video. This service consists of fiber transport running from a point at or near the customer's home to the customer's serving central office over a Passive Optical Network (PON). PONs are the next generation in networking technology. The PON elements include an optical line terminal that resides in the central office, an optical splitter which is placed in the outside plant, and an optical network terminal that is placed at or near the customer's premises. Note: Pricing is FDC or FMV, except tarified in Pacific Bell only.
Digital Subscriber Loop (DSL) Maintenance and Provisioning	Includes DSL related maintenance and testing activities required to receive process, and close trouble reports and work requests from affiliate and/or affiliate customers. Also includes DSL provisioning functions such as contacting customer or customer representative to assist in PC setups, modem, and filtering requirements. DSL work may include joint testing with telco to resolve provisioning and maintenance issues. Provided at higher of FDC/FMV.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Corporate Governance	Includes overall corporate direction and development, strategic business planning and executive supervision.
Finance and Treasury Services	Includes shareowner services, investor relations, earning requirements, economic analysis, investment and cash management, tax services, corporate accounting, financial analysis, asset protection, risk management, audit services, payroll, accounts payable and bill payments, disbursement accounting, fixed asset accounting, and affiliate transactions oversight.
External Affairs and Government Relations	Includes external reporting, regulatory and rate proceeding activities, and compliance with securities law and exchange requirements, and maintaining relations with government and regulatory bodies as well as the general public and other companies.
Advertising and Image Promotion	Provision of information and promotion of SBC and Telco: names, products, services and corporate image to the investment community and other external audiences.
Human Resources Support Services	Includes staffing, work force development, benefit administration, absence management and labor relations.
Legal Services	Includes professional services provided by affiliate legal organizations.
Administrative Services	Includes security, insurance, office services, maintenance of furniture and office equipment, executive transportation, repatriation, customer seminars, loaned employees, services provided to Telco employees located in affiliate buildings, and interim employee-related services arising from mergers and acquisitions.
Marketing Services	Services may include product and market management; distribution channel management and development; pricing, packaging and promotion; customer competitive and research analysis; market trials and tests, marketing channels, corporate call center activities, retail sale of Telco products, industry markets sales support, and call center marketing (includes sales transfers and/or referrals to affiliates) . Employee referrals provided by SBCLD at no cost. FDC except for miscellaneous activities provided at FMV by affiliates not under the FDC exemption.
Procurement Support Services	Includes contract management, purchasing operations, fleet management, materials management, internal mail services, copy bureau services, office equipment leasing, and procurement systems project management. FDC except for equipment leasing and related services provided to the AOCs at Prevailing Price.
Technology planning, assessment, and applied technology services	Service involves applications research (which takes known discoveries and determines how they can be used); preparing general specifications for products; testing and evaluating manufacturers' designs and products to determine if they meet Telco general specifications; and writing applications software for computers with processing systems that have been designed to be user-programmed.
Training Services	Includes course development and instructor-led and self-paced employee training.
Broadband IP Service	Service provides Internet Protocol (IP) connectivity capable of providing high speed internet access, video and voice services. Service may consist of connectivity between the IP backbone and the Layer 3 World Wide Web backbone. Service may also include provisioning of video content, VoIP telephony capabilities , end-user customer account establishment, maintenance and tracking, management of portions of the telecommunications network, and provision of floor space and power.
Temporary Projects	Services include temporary support, one-time transactions including consultation for general administrative activities.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Real Estate Support Services	Includes facilities management, real estate design and construction management, real estate transactions, space planning, real estate systems project management and furniture administration, and lease of floor space. FDC except for lease of floor space provided at the lower of FDC and FMV. AT&T Corp. and its Subsidiaries provide real estate management services at no cost.
White Pages Directory Services	Includes composition, production and distribution of white pages directories, directory sales, printing and binding of Customer Guide Pages, customer listing change support, database support, customer contact referrals, and local directory closing costs. Provided to Ameritech telcos at no charge from publishing affiliate.
Advertising	Directory advertising, directory insert advertising, and miscellaneous advertising.
Billing/Customer Support Services	Includes billing operations, bill printing and mailing, fraud management, payment processing, billing system project management, customer account establishment and servicing, and provision of customer service advice.
Information Technology Services	Includes software development and maintenance, data center operations, PC desktop support services, corporate data communications management, related miscellaneous office equipment expense, and other miscellaneous services. PP, FDC or FMV depending on the specific service provided from this service grouping.
Telecommunications Services and Equipment	Includes provision of inter-LATA services, wireless telephone sets and service; voice messaging and message center mailbox services; Internet access, products and support; circuit access and usage charges; equipment leasing and engineering, installation, monitoring, and maintenance of telecommunications products and services. Provided at prevailing price except for voice messaging and call management provided at tariffed rates in California and certain product support provided at FDC where prevailing price criteria not satisfied.
Directory Products	Provision of independent company and street address directories.
Other Directory Services	Includes project management of business enhanced listing products and directory cover advertising.
Architecture and Technology Planning and Strategy	Includes planning functions for the development and initial deployment of new technology, products and associated services.
Interconnection Services	Establishment of interconnection (includes reciprocal compensation agreements) arrangements with other telecommunications providers.
Asset Transfers	Occasional transfers of assets from affiliates, listed in the associated matrix by asset type.
Insurance Services	Includes insurance administration and funding.
Business Process Development & Design	Includes, but are not limited to, the development of business processes in support of new product introduction, ongoing business delivery, and business process improvement for an identified line of business. Business process development would include creation of business process strategies, business process models, OSS/BSS/NMS architectural and system requirements, testing of new system code, system administration, M&P generation, training, and metric identification. Business process development would address the functional areas of Pre-Order Negotiation, Design, Ordering, Provisioning, Activation, Installation, Repair, Assurance, Testing, and Customer Care.

LIST OF ASSETS AND SERVICES PROVIDED
TO TELCOS FROM AFFILIATES

Service Provided	Service Description
Billing & Collection Services	Services include billing on affiliate bill and associated collection for services provided by the affiliate to its customers. Provided at Prevailing Price or lower of FDC/FMV.
Customer Care	Includes call center transfers of misdirected, non-marketing calls to affiliates at no charge. Can also include service and project management functions at the lower of FDC/FMV or at FDC where FDC exception applies.
Tariffed Telecommunications Services	Provision of services covered by federal and/or state tariff.

AFFILIATE TRANSACTIONS MATRIX FROM TELCOS TO AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
TARIFFED RATE																														
Billing & Collections		D		D				D							D				D	D	D					D				
Real Estate Services					O	O		O				D			D															
Tariffed Telecommunications Services	O	D	O	D	D	D	D	D	O	O	O	D	D	D	D			D	D	D	D			D		D				
Fiber Broadband Service								D																						
Primary Interexchange Carrier Services (PIC)		D																												
PUBLICLY FILED AGREEMENT																														
Interconnection		O													D					D										
PREVAILING PRICE																														
CPE and Wire Services	O	O	O	O	O	O		O		O		O	O	O					O	O	D	O				O				
Billing & Collections		D		O				D							D					D	D	D				D				
Telephone Directory Services																				O										
Primary Interexchange Carrier Services (PIC)		D			D										D															
Telecommunications Services		D		D		D	D	D				D	D	D					D	D		D				D				
Wholesale Telecommunications Services		D																		D										

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10= Pacific Telesis Group
11= Southern New England Telecommunications Corporation
12= SBC Services, Inc.
13= SBC Management Services, L.P.
14= SBC Operations, Inc.
15= AT&T Corp.
16= SBC Enterprise Services, Inc.
17= N/A
18= SBC Laboratories, Inc.

19= Southwestern Bell Yellow Pages, Inc.
20= SBC Advanced Solutions, Inc.
21= Southwestern Bell Messaging Services, Inc.
22= N/A
23= Sterling Commerce, Inc.
24= N/A
25= Southwestern Bell Video Services, Inc.
26= N/A
27= SNET Information Services, Inc.

28= SNET America, Inc.
29= N/A
30= N/A

** See pages V-8 through V-11 appearing earlier in Section V for a more detailed description of services provided
Legend: D = Daily, W = Weekly, M = Monthly, Q = Quarterly, A = Annually, O = Occasionally

AFFILIATE TRANSACTIONS MATRIX FROM TELCOS TO AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
ASSETS – Higher of Fair Market Value and Net Book Cost																														
Inventory																														
Central Office Equipment																														
Transmitters																														
Support Assets	O	O						O				O	O																	
SERVICES – Higher of Fair Market Value and Fully Distributed Cost																														
Finance & Treasury Services (FDC, FMV)	O	O										O								O					O					
Administrative Services (FDC, FMV)	O	O	O	O	O	O		O		O	O	O	O	O				O	O	O	O				O					
Official Communications (FDC, FMV)	O		D	D		O	O	M	O	O	O	D	D	D				D	D	D	D				M					
Real Estate Services (FDC, FMV)	O	D		D	D	D	D	D	O	O	O	D	D	D	D			D	D	D	D				O					
Temporary Projects (FDC, FMV)	O	O	O	O	O	O	O	O	O	O	O	O	O	O				O	O	O	O		O		O		O	O		
Business Process Development & Design (FDC, FMV)		D													D					D										

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Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Marketing Services (FDC, FMV)	O	D		D	O	D	D	D			O	O	D	M	D			O	D	D	D				D					
CPE and Wire Svcs (FDC, FMV)	O	D		O	O	O		O				D	O					O	O	D	O				O					
Telephone Directory Services (FDC)				D															D											
Primary Interexchange Carrier Services (PIC) (FDC, FMV)	O	D			D										D					D										
Regulatory (FDC, FMV)	O	M		O		O		M		O		O	M	M				O	M	M	M				M		O			
Other Directory Services (FDC)				O																										
Training Provided to Others (FDC, FMV)		O	O	O		O		O		O		O	O	O					O	O										
Collection Services (FDC, FMV)	O	D						D												O	O				D			D		
Telecommunications Services (FDC)		O													D					D										

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AFFILIATE TRANSACTIONS MATRIX FROM TELCOS TO AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Human Resources Support (FDC, FMV)																														
Public Relations Services (FDC, FMV)	O	O	O	O		O		O		O	O	O	O	O				O	O	O	O		O		O		O			
Customer Care (FDC, FMV)	O	D			D	D		D							D					D	D							D		
Fiber Broadband Service (FDC, FMV)								D																						
Digital Subscriber Loop (DSL) Maintenance and Provisioning (FDC, FMV)																				D										

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40= Ameritech Information Industry Services, Inc.

41= N/A

42= N/A

43= N/A

44= Cingular Wireless, LLC

45= N/A

46= Ameritech Payphone Services, Inc.

47= N/A

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**AFFILIATE TRANSACTIONS MATRIX
FROM TELCOS TO AFFILIATES**

Asset/Service Provided**	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47
Wholesale Telecommunications Services			D														
ASSETS – Higher of Fair Market Value and Net Book Cost																	
Inventory		O				O											
Central Office Equipment																	
Transmitters				O													
Support Assets		O				O	O										
SERVICES – Higher of Fair Market Value and Fully Distributed Cost																	
Finance & Treasury Services (FDC, FMV)																	
Administrative Services (FDC, FMV)	O	D	O	O	O	O		O					O		D		
Official Communications (FDC, FMV)		D	O			D	D	O					O		O		11
Real Estate Services (FDC, FMV)		D	D	O	O	D	D	D	D	D	D		D				

31= SBC Asset Management, Inc.
32= SBC Global Services, Inc.
33= Ameritech Advanced Data Services, Inc.
34= Ameritech Mobile Services, Inc.
35= Ameritech Publishing, Inc.
36= Ameritech Services, Inc.
37= SBC DataComm, Inc.
38=N/A
39= Ameritech Credit Corporation

40= Ameritech Information Industry Services, Inc.
41= N/A
42= N/A
43= N/A
44= Cingular Wireless, LLC
45= N/A
46= Ameritech Payphone Services, Inc.
47= N/A

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Ameritech/Nevada Bell/ Pacific Bell/
Southwestern Bell Telephone
Cost Allocation Manual

AFFILIATE TRANSACTIONS MATRIX FROM TELCOS TO AFFILIATES

[illegible]

31= SBC Asset Management, Inc.
32= SBC Global Services, Inc.
33= Ameritech Advanced Data Services, Inc.
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4

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**Ameritech/Nevada Bell/ Pacific Bell/
Southwestern Bell Telephone
Cost Allocation Manual**

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Revised: 12/19/05

**AFFILIATE TRANSACTIONS MATRIX
TO TELCOS FROM AFFILIATES**

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
TARIFFED RATE																																
Telecommunications Services and Equipment						D																										
Tariffed Telecommunications Services																																D
PUBLICLY FILED AGREEMENT																																
Interconnection Services																											M					
PREVAILING PRICE (assets & services)																																
Billing & Collection Services																																D
Information Technology Services																								O								
Advertising				D											D														D			
Telecommunications Services and Equipment							D				O	D		O			D				O					D	O		O			D
Directory Products				O																												
Finance and Treasury Services																																

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AFFILIATE TRANSACTIONS MATRIX TO TELCOS FROM AFFILIATES

Asset/Service Provided**	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
Procurement Support Services																																
ASSETS – Lower of Fair Market Value and Net Book Cost																																
Test Sets															O																	
Inventory					O				O																							
Leasehold Building Improvements														O																		
Support Assets	O	O			O					O		O		O	O					O	O					O				O		D
SERVICES – Lower of Fair Market Value and Fully Distributed Cost																																
Billing & Collection Services (FDC, FMV)																																D
Temporary Projects (FDC)		O	O			O	O										O		O		O			O				O		O		
White Pages Directory Services (FDC) or at no charge to SBC Midwest telcos from Ameritech Publishing, Inc.				D											D													D				
Other Directory Services (FDC)															O																	
Administrative Services (FDC)						O																										

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Telecommunications Services and Equipment (FDC, FMV)			O			D	O					D			D								D			O							D
Marketing Services (FDC, FMV) Employee referral at no charge to telcos from SBCLD.		O														O							O							D			D
Real Estate Support Services (FDC, FMV)		O				M						O										M			D								D
Procurement Support Services																																	
Broadband IP Services (FDC, FMV)							D																										
Customer Care (FDC, FMV)					D																									D			D
FULLY DISTRIBUTED COSTS																																	
Advertising and Image Promotion										D																							
Human Resources Support Services	O									D				D																			
Corporate Governance	O									D																							
Finance and Treasury Services										D				D																			
External Affairs and Government Relations	O									D				D									I										

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Administrative Services	O				D					D				D																		
Legal Services										D				D																		
Billing/Customer Support Services	O				D									D																		
Information Technology Services														D																		
Training Services														O																		
Technology Planning, Assessment, and Applied Technology Services											D																					
Marketing Services	D				D					O				O																		O
Temporary Projects	O				O					O	O			O																		
Customer Care	D																															D
Procurement Support Services	O				O					O				D																		

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Real Estate Support Services														D																		
Architecture and Technology Planning and Strategy	O													O																		
Telecommunications Services and Equipment	D				D			O		D				D																		
Insurance Services																	D															
Business Process Development & Design	D																															

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SECTION VI - COST APPORTIONMENT TABLES

OVERVIEW

The Companies' cost apportionment tables contain the methods and procedures for allocating common investment and expense costs to regulated and nonregulated activities. The cost apportionment tables and a summary of tables' development are included in this section.

With respect to the application of the general allocator, this cost apportionment method requires special consideration since it is associated with expenses that are general in nature and can neither be directly assigned nor attributed to regulated or nonregulated operations. The Companies' CAM only uses the general allocator wherever costs can not be directly assigned or otherwise attributed, either directly or indirectly. The use of the general allocator is justified for certain types of expenses, such as accounting and finance, research and development, and external relations. This justification is based on two distinct premises. First, by definition, the expenses that the general allocator is applied to are unattributable. These expenses have no other rational cost apportionment method available for cost allocation purposes. Second, the Companies' accounting systems do not provide a practicable means to capture the information sufficient to support the development of a more cost causative apportionment.

UNIFORMITY OF ACCOUNTS

In order to obtain greater uniformity in LEC cost allocator practices, the FCC issued minimum cost pool requirements and specific allocation procedures for Part 32 accounts which contain large amounts of nonregulated costs.

On July 1, 1993, the FCC issued Memorandum and Opinion Order, Implementation of Further Cost Allocation Uniformity AAD 92-42. This order directs LECs to revise their CAMs to the extent necessary to distinguish properly among "direct assignment," "direct attribution," and "indirect attribution" and to implement uniform cost pools and allocation procedures for ten accounts:

- 2111-Land
- 2112-Motor Vehicles
- 2121-Buildings
- 2311-Station Apparatus
- 2341-Large Private Branch Exchanges
- 6112-Motor Vehicle Expense
- 6121-Land and Building Expense
- 6311-Station Apparatus Expense
- 6341-Large Private Branch Exchange Expense
- 6362-Other Terminal Equipment Expense.

COST APPORTIONMENT TABLES DEVELOPMENT

The cost apportionment tables present the following information for each applicable USOA Part 32 Account:

- USOA Part 32 Accounts: Account number and brief description
- Cost Pool Name: Cost pool(s) into which the costs of the account are assigned or apportioned
- Cost Pool Identification: Method for apportioning the account into the defined cost pools
- Cost Pool Apportionment Method: Method of apportioning cost pools between regulated services and nonregulated activities
- Comments: Added as appropriate to explain costing methodology

Following is a brief discussion on each section of the Cost Apportionment Tables.

COST POOLS

A cost pool represents a homogeneous group of costs within the USOA Part 32 account structure. A cost pool allows further subdivision of an account as necessary to permit analysis based on cost causation.

Direct Cost Pool or Directly Assigned represents revenues, expenses, and investments which can be identified to have been incurred exclusively for regulated services or nonregulated activities.

Directly Attributed represents common costs such as revenues, expenses, and investments which are allocated between regulated and nonregulated activities based on direct measures of cost-causation or direct analysis of the origin of the costs themselves.

All Other costs are apportioned using some method of indirect measures of cost-causation, or general allocation where no causal relationship exists.

COST POOL IDENTIFICATION

This description of the identification section of the cost apportionment tables presents the basis by which an account is split into cost pool categories. All investment is allocated to cost pools based on an analysis of the costs comprising each subaccount. All other cost pools are populated by means of Accounting Codes.

Accounting Codes include:

- Accounts
- Subaccounts
- Field Reporting Codes (FRCs)
- Aliases (previously known as Special Purpose Function Codes)
- Expenditure Codes (XCs)
- Responsibility Codes (RCs)
- Continuing Property Records (CPR)
- Activity Codes
- Equipment Category Number (ECN)
- Project Numbers

Utilization of a particular Accounting Code depends upon the type of expenditure being captured. The descriptions below outline the basis for the cost assignments included in the cost apportionment tables.

Based on Description of Accounting Code(s)

An analysis of Accounting Codes is used to identify selected cost pools. Accounting Codes are used in operations to report activities for which time and expenses are incurred. Separate Accounting Codes are used with investment accounts to record the capitalized investments of an account.

Accounting Codes associated with operations are assigned to specific work activities and are reported by employees using positive time reporting procedures.

Accounting Codes associated with investment accounts are used to identify unique classifications of plant within an account.

Accounting codes are pre-assigned to all employees based on an analysis of their normal work activities. When these employees work on other activities, their work is reported through exception time reporting procedures.

COST POOL IDENTIFICATION (cont.)

Selected cost pools in the following accounts use the description of accounting codes as a basis for pool assignment:

1220	2362	6114	6421	6613
1410	2411	6121	6422	6622
2003	2421	6122	6423	6623
2112	2422	6123	6441	6720
2114	2423	6124	6512	7100
2122	2441	6211	6531	7240
2123	2681	6212	6532	7300
2124	2682	6220	6533	7500
2211	2690	6231	6534	
2212	3100	6232	6535	
2220	4100	6311	6540	
2231	4300	6341	6561	
2232	4340	6362	6564	
2311	5300		6611	
2341	6112			

Analysis of Building Use

The Companies maintain **continuing property records (CPR)** of all of their buildings. This CPR associates **building locations** with functions by building that can be used to separate **the CPR dollars for each building location** into **cost pools**. These **cost pools** include: Central Office, Distribution Services, Network Operations, Customer Operations, Corporate Operations and Rented to Others.

Once the **CPR dollars have** been derived for each of the Building cost pools listed above, a ratio of that cost pool's **CPR dollars** to total **CPR dollars** in a jurisdiction is developed. These ratios are applied to the total building investment in a jurisdiction to determine the level of building investment for that cost pool.

Thus a building by building analysis is performed and the ratios developed by this analysis are applied to each jurisdiction's total building investment within the Companies. This study is performed at least annually.

Account 2121 uses analysis of building use as a basis for assigning costs to pools.

Analysis of Motor Vehicle Records

The Companies maintain an inventory file of all their motor vehicles. This inventory associates motor vehicle costs with motor vehicle numbers and function codes. The motor vehicle numbers have a unique identification number that is used to populate the Distribution Services-Construction Sub-pool. The remaining pools, i.e., the Corporate Operations, Distribution Services-Installation and Maintenance, Central